

The AMERICAN OBSERVER

A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe

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Europe Seen Moving to New Alignments

Hitler's Attempt to Form Alliance With Italy Considered Threat to France and Allies

TREATY REVISION IS MAIN ISSUE

Set-up Gives Great Britain Balance of Power. U. S. Attitude Important

Within the last few weeks, events of a singularly important nature have been taking place in Europe. The entire continent has been stirred by developments which are charged with dynamite and which may have far-reaching consequences upon the future history of Europe and the world. Slowly, but none the less surely, the European nations have been taking steps toward definite alignments and alliances such as those which existed before the World War. If carried out, these plans may create a situation directly parallel to that which prevailed on that fateful day in August, 1914, when a shot at Sarajevo plunged almost the entire civilized world into a cataclysmic war.

Recent Developments

Three developments in particular have tended to dramatize this trend of events. First, the ascendancy of Adolf Hitler to power in Germany brought with it the definite attempt to form a closer alliance with Italy and the nations allied with her. Hitler has made advances to Mussolini looking to an alignment of the German Fascists with the Italian Fascists. The second development has been the formation of a closer political and economic union among the members of the Little Entente—Czechoslovakia, Rumania and Jugoslavia—whereby the three nations agree to co-operate more closely in all matters involving their relations with each other and with the rest of Europe. Thirdly, European relations have been further strained as a result of shipments of munitions from Italy to Hungary through Austria. The discovery of Italian machine guns and rifles in a Vienna munitions factory caused a flurry of excitement throughout the capitals of Europe, and France and Britain were quick to protest such action.

Any one of these developments in itself would be sufficient to cause further uneasiness and tension to an already restive Europe. But the combination of the three, coupled with the general discontent and instability resulting from the depression and the international ill feeling that has permeated the European atmosphere since the war, has created an extremely delicate and dangerous situation. Public opinion in all the nations involved has become inflamed. Nationalistic feelings have been keyed up to a high pitch. The French press hurls vitriolic tirades against the Italians for their participation in the Hungarian munitions affair and against Hitler for his attempt to form an alliance with Rome. The newspapers of Italy retort by accusing the French with having attempted to solidify their position in Europe through the formation of a closer union among the members of the Little Entente. As a result, Franco-Italian relations have sunk to the lowest ebb in recent years, and the gap which has sep-

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PRESIDENT ROOSEVELT

What Is Your Program?

On every hand we hear the questions, What will Roosevelt do? What will Congress do? These speculations are natural and they are interesting. Such is the state of the nation that there is great need for immediate action by the new administration. But just as important and just as imperative is the question, What do you as a citizen wish the administration to do? What are you yourself going to do? We should remember this: Until there is a body of opinion in the nation which will support sound legislation and remedial administrative action, the hands of the governmental officials will be tied. We need courageous action by these officials. Let us hope that we will get it. But at the same time we need as never before a civic renaissance among the people of the nation. It should begin among the students of our schools. Addressing myself now to those of our readers who are attending high schools or colleges, I will say that upon you rests a great responsibility in this hour. What if you are young! Your minds are as keen and as strong as they will be when your hair is gray. All that you lack is experience. And once a dominating motive appears, a great deal of civic experience may be gained in a short time. There is no reason why you should not take part in a great American renaissance. There is no reason why each of you should not feel a personal responsibility for the finding of some means by which your community and your nation may reach safer ground. By intense application, each of you may become an authority on some problem of grave import and you may quickly come to exert a perceptible influence in working out a solution to that problem. Master your subject! Get a definite idea as to something that you want to see accomplished in your community, your state or your nation. Talk to your local leaders about it, the members of your state legislature, your bankers, your merchants, your editors. Write to your governor, your congressman, your senators. I speak from personal observation and knowledge when I tell you that a very few letters addressed to a congressman or a senator requesting his support for a certain measure oftentimes swing his vote. If the bright, alert high school students of this land, or a fair proportion of them, should enter actively into the work of securing political action on a few measures with which they were concerned, we would have the greatest revival of political interest and industrial enterprise that the nation has ever seen. Study your public problems with a purpose. Then practice the arts of politics. If you will do this, if you will turn your interest from the passive reading about public problems to the active participation in their solution you will within a few months become politician in the best sense of that word, and a by-product of your activity will be a sound civic education such as you can never acquire save by the active grappling with real problems.—W. E. M.

Roosevelt's Cabinet Carefully Selected

Conservatives, Progressives and Former Republicans Form Coalition of Factions

NOT ALL WELL KNOWN TO PUBLIC

But Official Family Held to Be Able and Ready to Cooperate

The announcement of a new president's cabinet is always awaited eagerly, for the composition of the cabinet gives indication of the policies for which the administration will stand. Anxiety was greater this year than usual because the crisis through which the country is passing is so severe and because so many difficult problems have to be met. It was with great interest, therefore, that the people of the nation read the list of names of the new cabinet members on February 23. The announcement of the appointments was not official and it is possible that changes may be made at the last moment, but as THE AMERICAN OBSERVER goes to press it appears that the Roosevelt cabinet will be as follows:

Secretary of State—Senator Cordell Hull of Tennessee.

Secretary of the Treasury—William H. Woodin of Pennsylvania and New York. Attorney-General—Senator Thomas J. Walsh of Montana.

Secretary of War—Former Governor George H. Dern of Utah.

Secretary of the Navy—Senator Claude A. Swanson of Virginia.

Postmaster-General—James A. Farley of New York.

Secretary of the Interior—Harold Ickes of Illinois.

Secretary of Agriculture—Henry A. Wallace, of Iowa.

Secretary of Commerce—Daniel C. Roper of Washington, D. C.

Secretary of Labor—Frances Perkins of New York.

Making Cabinets

As news of the various appointments leaked out there were some expressions of surprise that certain well-known leaders of the Democratic party were not named for a cabinet position. Alfred E. Smith of New York, Governor Albert C. Ritchie of Maryland, Newton D. Baker of Ohio, Owen D. Young of New York—these are men of such great reputation and popularity that questions have been raised as to why Mr. Roosevelt did not make some of them members of his official family. It appears, however, that for one reason or another these men did not wish cabinet appointment. Furthermore, it is not always best for a president to fill his cabinet with the most prominent leaders of his party. These outstanding leaders may not be any more competent in the handling of work such as that which falls to a cabinet member than some who are less widely known. It is also true that an all-star cast of cabinet members might not get along well together. After all, the president himself is responsible for the policies which he carries on, and if his administration is to be a success he must have around him a body of advisers who, while retaining their own independence, are willing and anxious to work loyally as his subordinates in the carrying out of his program.

There is this further fact to consider; a president, if he is to be successful, must have the united support of his own party. He must bring about harmony among the different factions of the party, so that all the groups will work together in putting his program into effect. If he does not get united party support, his plans will fail of execution. However good his ideas may be, he will be a failure unless these ideas command the support of a majority in Congress and are therefore enacted into law. A president must, therefore, make his appointments of cabinet officers in such a way as to please the different groups or elements within the party. Each large faction in the party must have representation, or at least enough of the factions must have it so that the party will work fairly harmoniously together and give the president a majority in Congress. With these considerations in mind, let us now examine the appointments which President Roosevelt has made.

State and Treasury

Senator Cordell Hull of Tennessee, age sixty-one years, was born in Tennessee and is a lawyer by profession. He entered politics early in life, and was elected to the legislature at the age of twenty-one. He served in the Spanish-American War, and for several years was a circuit judge. He went to the House of Representatives in 1897, and served there until 1921. In 1930 he was elected to the Senate. His chief interest is his opposition to a high protective tariff. As secretary of state he will devote his energies toward the reduction of barriers to international trade. He is already hard at work at that problem. He may be depended upon to labor sympathetically and generously and broadmindedly for a satisfactory revision of international debts and for a lowering of tariff walls here and abroad. He will try to negotiate treaties with the different nations providing for a lowering of our tariff walls in return for a similar breaking down of foreign barriers against our trade.

William H. Woodin, age sixty-four years, is a representative of big business. He is president of the American Car and Foundry Company and is a member of the board of directors of many other business organizations. He is a man of broad culture and varied interests. He is a musician of considerable ability, having written symphonies and other musical compositions. He is an authority on rare coins. He is a member of the Republican party, but supported the Democratic presidential candidate in 1928, and again last fall. He has not taken an active part in politics before, and his views on economic and financial matters are not well known. It is known, however, that he favors the gold standard and opposes inflation of the currency. His

selection as secretary of the treasury may therefore be taken to mean that the Roosevelt administration will stand for what is known as "sound" money, and will not adopt inflationary proposals.

War, Justice, Navy

George H. Dern, age sixty years, was born on a farm in Nebraska, and was educated in the university of that state. When he was a young man he moved to Utah where he became interested in mining. He was later the general manager of a large gold mine. He was governor of Utah from 1925 to 1932, and was known as a progressive. He supported workmen's compensation acts and laws to prevent dishonest business practices. He showed an active interest in social welfare legislation and in legislation to promote public health and education.

Thomas J. Walsh, age seventy-three, was born in Wisconsin and taught school in that state. At one time he was principal of the Sturgeon Bay High School. He later became a lawyer and moved to Montana. He has been in politics for about twenty-five years. He has been in the United States Senate since 1913. He did conspicuous work in exposing the Teapot Dome and Elk Hills oil scandals during the Harding administration. He is a progressive, having stood for the woman suffrage and child labor amendments and for regulations of business. His appointment as attorney-general indicates a determination on the part of the administration to be unsparing in the prosecution of big business organizations guilty of illegal practices.

Claude A. Swanson, age seventy-one years, is a native Virginian. He is a lawyer by profession. He has served many years in the United States House of Representatives, and has been governor of Virginia. He has served in the United States Senate since 1910. He has always shown a marked interest in naval affairs, and was at one time chairman of the Naval Affairs Committee of the House of Representatives. He is the ranking Democratic member of the Naval Affairs Committee and the Foreign Relations Committee of the Senate. He was a delegate to the recent disarmament conference. He is known as a "big navy" man, and his nomination indicates that the administration will not whittle down the naval strength greatly.



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James A. Farley, age forty-four years, is a politician and sportsman by profession. He is chairman of the Democratic National Committee, and managed the Roosevelt campaign for nomination and election. He is chairman of the New York Athletic Commission which supervises boxing in that state. His name is not associated with economic or political issues. His chief function in the Roosevelt administration will be to dispense patronage—to advise the president as to the appointments he shall make. His appointment as postmaster-general has, therefore, little political or economic significance.

Interior and Agriculture

Harold Ickes, age fifty-nine years, has long been a political leader in Illinois. He is a progressive Republican. He was prominent in the progressive movement which backed Theodore Roosevelt for the presidency in 1912. He returned to the Republican party four years later, and managed the campaign of Senator Johnson of California for the presidency in 1924. He supported Franklin D. Roosevelt last year. His appointment as secretary of the interior is due to the president's wish to recognize his progressive Republican supporters. It indicates a policy of government development of power interests and a liberal, or progressive, attitude on other matters.

Henry A. Wallace, age fifty-four years, is editor of *Wallace's Farmer* and a leader among the western farmers. He has been a Republican, and his father, who preceded him as editor of *Wallace's Farmer*, was secretary of agriculture during the Harding administration. He is an advocate of the domestic allotment plan of farm relief, and his appointment indicates that the Roosevelt administration will try to put through that measure and to meet the demands of the western farmers. Mr. Wallace is perhaps the most nearly radical of any of the new cabinet.

Commerce, Labor

Daniel C. Roper, age forty-five years, is a native of South Carolina. He was first assistant postmaster-general under Wilson, then vice-chairman of the Tariff Commission, and later internal revenue commissioner. He is now practicing law in Washington, D. C. He is a close friend of William G. McAdoo, and his appointment is a recognition of the help given Roosevelt by the McAdoo faction. Mr. Roper

is not closely identified with economic policies or programs.

Frances Perkins, age fifty years, will be the first woman to occupy a seat in a president's cabinet. Miss Perkins was born in New England, taught school in Lake Forest, Illinois, resided for a while in Hull House where she came under the influence of Jane Addams, did work in sociology and economics at Columbia University. She has been active in the study of labor problems, and served on the State Industrial Commission of New York during the Smith and Roosevelt administrations. Since 1926 she has been chairman of that commission. She is an advanced liberal. She supports strongly the establishment of federal employment agencies, and she advocates workmen's compensation acts and unemployment insurance. Her appointment indicates a liberal position on the part of the administration on labor matters. In 1917 Miss Perkins married Paul C. Wilson, then secretary to the mayor of New York. In public life, however, she retains her maiden name.

The Budget Director

Another appointment this year is as important as the appointment of any member of the cabinet. This non-cabinet position which looms so large in the Roosevelt administration is that of the director of the budget. This officer has the responsibility of figuring out what expenses are necessary for the government and of recommending the economies which may be effected. The whole problem of cutting government expenses and of deciding how it is to be done will be on his shoulders. Of course, the president is ultimately responsible for the policies which are followed, and so is Congress, but the initial work of mapping out a program will be done by the man who assumes the position of director of the budget.

For this important post Mr. Roosevelt selected Representative Lewis W. Douglas of Arizona. Mr. Douglas has been a strong advocate of economy in Congress. He stands stoutly for a balancing of the budget. Of special significance is the fact that he has stood out for a policy of cutting the grants made to veterans. He opposes aid to the veterans given as a result of illness or injury which has come to them, not as a result of their military service, but in the course of their civilian lives after their discharge from the army. It is claimed that if this item of expense were cut out, about \$450,000,000 a year could be saved. This is the point around which there has been much controversy. The Hoover administration did not insist upon the elimination of this expense, and neither did Mr. Roosevelt in the course of the campaign, but the appointment of Representative Douglas indicates that the administration in its economy effort may cut deeply into the expenditures for the veterans. Political observers contend that Mr. Douglas would never have given up his seat in Congress unless some such assurance had been given him.



THE FIRST CABINET

—Photo by Ewing Galloway

Washington needed only four members in his cabinet in order to carry on the affairs of government. Today, ten are required.



ERE is the record of Congress for the last week in February.

SENATE. Passed independent offices appropriation bill. Passed legislative appropriation bill. Sent back to conference with House the Treasury Post-Office appropriation bill, carrying Byrnes' amendment for sweeping presidential powers, Bratton amendment for 5 per cent general cut in federal expenditures and air-mail appropriation. Debated bankruptcy bill and Hull-Walcott moratorium bill. Banking committee heard New York bankers in investigation of banking and stock market situation. Finance committee heard economists and publishers on general economic situation. Foreign relations committee reported favorably on St. Lawrence Waterways Treaty, but ratification is not expected before extra session.

HOUSE. Passed navy appropriation bill, \$315,000,000. Passed bill authorizing physicians to prescribe beer. Impeached a federal judge for the eleventh time in American history—Judge Harold Lauderback of the northern district of California. Agriculture committee reported favorably on Smith bill already passed by the Senate, for emergency government cotton-buying pool using Reconstruction Finance Corporation funds and requiring 30 per cent reduction of cotton acreage by benefited farmers. Both this and the Glass banking bill are expected to go over to the extra session. Banking and currency committee considered. Wagner bill already passed by the Senate, to grant a further \$300,000,000 for extended Reconstruction Finance Corporation unemployment relief and public works construction loans.

National City Bank

The Senate Banking and Currency Committee has been making startling discoveries in its investigation of the affairs of the National City Bank in New York, one of the nation's largest financial institutions. What appears to be damaging evidence has been found against two of the officers, Charles E. Mitchell, chairman of the board, and Hugh B. Baker, president of the National City Company, an affiliate of the National City Bank. Both of these men have tendered their resignations.

The investigations disclosed that leading officials of the bank distributed among themselves millions of dollars in bonuses and in loans which have not been repaid, this to the detriment of stockholders and depositors. These same officials sold stock to friends and relatives at a lower figure than the prevailing market price, enabling those persons to reap large profits. Furthermore, Mr. Baker admitted to the Senate committee that the National City Company had withheld from the public unfavorable information about Peru while that company was selling Peruvian bonds to the citizens of this country. In consequence purchasers of the bonds will stand an estimated loss of \$75,000,000. The bankers termed the venture an "honest mistake." They deny that they have been guilty of illegal practice and claim that their actions are misunderstood by the public. Just to what extent they are responsible will not be known until more of the evidence has been sifted.

Maryland Bank Holiday

Governor Ritchie declared a three-day bank holiday throughout the state of Maryland, beginning on February 25. This action was taken because of exceptionally heavy bank withdrawals the week before. Here are several reasons given for the lack of confidence which caused depositors to make runs on banks: (1) Michigan bank holiday, (2) Senate investigations into the affairs of the National City Bank of New York, and (3) policy of publishing loans made to banks by the Reconstruction Finance Corporation. Governor Ritchie expressed the opinion that banking legislation would be enacted in the state legislature during the three-day holiday which would safeguard depositors, thereby instilling new confidence in them.

Ohio in Trouble

Only a few days after the announcement of the Maryland bank holiday news came from Ohio that the banks of four cities had placed restrictions upon withdrawals from accounts. This action was taken in Cleveland, Akron, Dayton and Lima and came as a reaction to the trouble in Michigan and Maryland which shook the confidence of Ohio depositors. Governor White stated that the difficulties were local and that no general state-wide holiday would be declared.

THE WEEK

Dr. Butler's Advice

Dr. Nicholas Murray Butler, president of Columbia University, did not take part personally in the parade of prominent persons who have been passing before the Senate Finance Committee giving their views and suggestions with regard to the depression. Dr. Butler, instead, wrote a letter to Senator Reed Smoot of Utah, chairman of the Finance Committee, outlining his recommendations for dealing with the situation. He urged immediate balancing of all budgets, federal, state, county or local, not through increased taxes but through stringent economy to be effected by drastic reorganization of the government and by the repeal of unsound veterans' legislation.

Dr. Butler warned against any tampering with the currency and advocated a reshaping of our banking system to conform with those of Great Britain and Canada where bank failures are unknown. In addition he urged the institution of "modern and scientific systems of taxation." "However," said Dr. Butler, "the crux of the whole situation is to be found in international understanding and international coöperation." He advised a quick revision of war debts, active coöperation with the World Disarmament Conference, insistence upon "genuine disarmament" and membership in the Permanent Court of International Justice.

State Action on Repeal

The prohibition repeal movement is sweeping the country by storm. One week after the repeal resolution was passed by Congress, forty legislatures were presented with bills for the calling of conventions at which the resolution would be voted upon. And ten state legislatures are planning to vote upon these bills immediately. They are: Arkansas, Ohio, Oregon, Arizona, Delaware, Indiana, Massachusetts, Missouri, New Jersey and New York. The state of Wyoming had set up the necessary machinery to act upon the resolution even before it had been approved by Congress, and this western state is expected to be the first to hold a repeal convention.

Congress Ends

Congress adjourned on March 3. The session had to come to an end on that date because the terms of all the members of the House and of a third of the Senate expired March 4 when the new administration came into power. This short session of Congress, which began on the first Monday in December, has been a lively one but it has not had a very great record of accomplishment. Most of the time has been spent in considering appropriation bills to provide money with which to run the government. Outside of this, up until a week before adjournment, Congress had acted on only two really important pieces of legislation. It voted independence for the Philippines and passed a resolution to submit to the states an amendment to the Constitution repealing the eighteenth amendment.

But Not for Long

The special session of Congress which President Roosevelt has been expecting to call about the middle of April may have to be convened earlier, perhaps before the end of March. The president had intended to have the session last only sixty days but there is so much to be done that it is thought that more than that amount of time will be needed. For this reason it would be better to begin the session as soon as possible in order to keep it from dragging into the hot summer months.

Ford and Banking

Henry Ford has gone into the banking business. He has taken over the total liquid assets of two Detroit banks, the First National and the Guardian National Bank of Commerce, involving an investment of \$7,400,000. These two banks will be completely reorganized and Mr. Ford will have full control as well as authority to name the boards of directors and officers of each institution. Moreover, as he will own outright all the shares of stock, there will be no stockholders. This latest

move of Mr. Ford is expected to be an important step in restoring the confidence of Detroit citizens.

A Poorer United States

Our national income has dropped 53 per cent since 1929, according to a recent estimate issued by the National Industrial Conference Board. In 1929, the total national income was \$85,200,000,000. But last year this amount fell to \$40,000,000,000. Furthermore, the National Industrial Conference Board reports that if the income of the nation had been equally distributed in 1932, each person would have received only \$424.

Trade Treaty

Premier Bennett of Canada aroused considerable interest in political circles in this country recently when he announced before the House of Commons that Canada is anxious to negotiate a reciprocal trade treaty with the United States. The suggestion was enthusiastically received by leading Democratic congressmen, who, like President Roosevelt and Secretary of State Hull, believe that any action to promote trade relations between the United States and other nations is of utmost importance.

A Speed Record

Sir Malcolm Campbell, the noted English automobile racer, who every year risks his life speeding on the hard sand along the Florida coast, has set a new world's record. On February 22 he drove his high-powered car at the rate of slightly more than 272 miles per hour, approximately 16 miles an hour faster than the record he established last year. Sir Malcolm said afterward that he was not satisfied as he feels that his car is capable of attaining a speed of 300 miles per hour.

War Debts

The question of war debts promises to receive early attention from the new administration. The groundwork for negotiations between the United States and its debtors was laid during the closing weeks of President Roosevelt's role as a private citizen. After discussing the problem with Sir Ronald Lindsay, upon the British ambassador's return to this country from England on February 20, Mr. Roosevelt then conferred with Paul Claudel, French ambassador to the United States. Reports from France indicate that the French people feel very favorably inclined toward Mr. Roosevelt because of his friendly attitude and apparent willingness to consider their case along with Great Britain's, despite the fact that France defaulted on last December's payment.

Larger Scope

It seems now that the war debt conferences to be held in Washington sometime this month will be much broader than expected. It is suggested that all related problems may be discussed in an effort to formulate a general reconstruction program for all nations. These meetings are expected to provide the basis for the coming World Economic Conference.

New Ocean Depth

"How deep is the ocean; how high is the sky?" runs the refrain of a popular song. A tentative answer to the first part of the query has been supplied by Dr. Paul Bartsch, operating from the yacht "Caroline," who measured a depth of 44,000 feet a few miles north of Puerto Rico. The answer must be called tentative because it is possible that deeper soundings may sometime be made. The greatest depth previously measured was 34,416 feet, recorded by the German cruiser "Emden" on a voyage from the Celebes Islands to Nagasaki in the Pacific.

German Election

As this paper reaches its readers the results of the German election will be known. Few predictions were forecast as to the outcome of this election, as it was impossible to get a true picture of public

sentiment. Hitler, in his desperate attempt to gain a working majority in the Reichstag, placed a ban on all opposition newspapers and prohibited political rallies which criticized his policies. Although the Hitlerites have far more seats than any other party in the Reichstag, it seemed improbable that they could gain enough more, even with the backing of the German National People's party, to win the support of parliament. Many leading Nazis say that Hitler must retain control or force will be applied, meaning, of course, the Nazi storm troops.

Reorganization

During the closing days of the Lame Duck Congress, both the Senate and the House passed bills giving President Roosevelt sweeping authority to reorganize the federal government in order to reduce operating expenses. He predicted during the campaign that he could reduce governmental costs by \$1,000,000,000 and apparently he is going to have a free rein in doing so.

Hoover's Farewell

President Hoover took a place of continued leadership in the Republican Party when, in a letter to the Republican Executive Committee meeting at Washington February 27, he outlined the policies to be followed by the party for the next four years. Sound currency without inflation, law enforcement "without respect to persons," coöperation with the Democratic administration in the national emergency were the fundamentals that Mr. Hoover set forth as "a platform upon which all Americans can stand without partisanship."

The Jehol Drive

In spite of rapidly growing world opinion against Japan's action in the Far East, her military leaders are making a determined drive to take the Chinese province of Jehol. On February 25, Chaoyang, the second largest city of the province, was captured by Japanese forces. And one day later more than one-third of Jehol was under Japanese authority. But on February 27, Chinese forces repelled a Japanese attack in southeastern Jehol, and it appeared that the Chinese forces were stiffening their ranks and would offer far more resistance to the Japanese attacks from now on.

Reichstag Burns

The political excitement in Germany before the March 5 election was added to by a huge blaze which destroyed large sections of the historic Reichstag in Berlin. The cause of the fire is not definitely known, but a survey of the building after the blaze had been smothered indicated that it was of incendiary origin. Wilhelm Goering, Nazi cabinet minister, immediately ordered the arrest of one hundred Communist members of the parliament. It is natural, however, that the Hitlerite government should place the blame on its bitter enemies, the Communists. These two groups have been engaging in street brawls and riots against each other for many months.

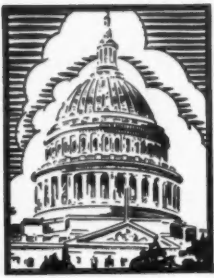
History Repeated

Is the log cabin coming back to America? We hear that in the western states many unemployed and homeless people are building log cabins and dugouts just as the early settlers used to do. However, the modern log cabin is not quite so crude as the ones built in the early days of our history. Such modern conveniences as glass windows and various kinds of household utensils can usually be obtained by even the poorest of present-day log cabin builders. These were not to be had by our hardy pioneer forefathers.

Chile and the Chaco

Chile has been drawn into the dispute between Bolivia and Paraguay, now waging undeclared warfare over the Chaco. It seems that Bolivia claims the right to import munitions through Chile by virtue of a treaty signed in 1904 permitting the free passage of all merchandise to and from Bolivia through Chile. But the Chilean government, which recently held up a shipment of arms to Bolivia, contends that inasmuch as the treaty does not specify that munitions shall be allowed to enter Bolivia by way of Peru, Chile is under no obligation whatever. Diplomatic notes have been exchanged setting forth the points of view of each government and another complication is added to the already badly tangled South American situation.

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As the Editor Sees It

DURING recent months a number of things have happened to shake the confidence of the people in their business and industrial leaders. Bank crises in Michigan, Maryland, Ohio and Indiana are evidence that the situation is both critical and nation wide. Part of the loss of confidence is justified and part is not. Therefore it is well to take stock of the situation.

It was a great shock to millions of people to learn a few months ago of the practices which had been carried on by the great Insull corporation. It was a blow to public confidence to learn that so respected a man as Owen D. Young had authorized loans from his corporation to Insull, without inquiring into the use to which the money was to be put or into the soundness of the security. This looked like favoritism and like an ignoring of the interests of stockholders in the corporation which Mr. Young represented. The Michigan bank holiday brought out evidence that certain great industrial leaders were quite heedless of the public interests. More recently the disclosures relating to the National City Bank of New York have had a profound influence on public thinking. We shall not here go into detail as to the practices of the National City Bank officials. It may be said briefly that at the very time they were encouraging their employees to buy stock in the bank they were themselves selling the stock and depressing stock prices. They distributed millions of dollars in bonuses, or in loans which were not paid back, to officers, thus playing fast and loose with the interests of stockholders and the public.

Great banking concerns are also rightly blamed for having made themselves the agents in the selling to the public of foreign stocks and bonds—securities which have since become worthless. If they knew how risky such investments were, they were corrupt in selling them to the public for the sake of the fees they would collect. If they had no idea of the risk involved, their competence certainly was not such as to justify the confidence which purchasers had in them.

And so, as all these facts come to light, there is an ebbing of confidence in bankers and industrial leaders. This lack of confidence is manifesting itself in runs on banks—runs which are necessitating holidays.

Many people are assuming that business leaders are not to be trusted, and there is a tendency to listen to those who take advantage of the state of the public mind to advocate wild and sometimes demagogic programs.

A sane and careful consideration of all the evidence which has come to light indicates certain facts. One is that outright dishonesty and chicanery are practiced by many business leaders. Another is that many men who have come to positions of wealth and power are, nevertheless, fairly stupid. A third is that there is still a great deal of honesty and fair play in business life, that most business leaders are upright and that wholesale condemnation and suspicion are unjustified.

It is a fact that in the past the American people have trusted men of wealth too far. They have tended to assume that if a man had made a great deal of money he must be wise and honest. Sometimes he is. Sometimes he is not. If we have enough common sense to profit by experience, we will in the future give to the advice of our men of wealth, our business leaders, such weight as the strength of their reasoning seems to justify, and no more. We will listen to the wealthy, if what they have to say appeals to our judgment, but we will not listen to them simply because they occupy positions of industrial power. And we will listen far more than we have done in the past to our economists, our political scientists, our sociologists, our men of science—to those who may be assumed to approach the study of public problems less from the standpoint of personal interest and more from the standpoint of the searcher after truth.

Meanwhile, we must not lose our heads. We must not go to extremes in the matter of suspicion. We must not give ear to unfounded rumor. We must not be victims of unjustified fears. We should have confidence in the latent economic soundness of our country and we should go about it calmly and resolutely to pick leaders whom we can trust and to discover roads to assured security.

IN only one other instance in its history has the League of Nations taken such drastic action as it took against Japan on February 24 when it adopted the special

report condemning Japanese action in Manchuria. Ten years ago, it passed a similar resolution censuring Poland for its seizure of the Lithuanian city of Vilna. In the Japanese case, however, the League went a step farther than it did in the Vilna episode because it did not leave the matter with passing moral judgment upon the aggressor, but set up machinery by which further attempts at settlement of the dispute may be facilitated. It named a special committee—the committee of nineteen, plus Canada and Holland—to consider what action should now be taken, and sent invitations to the governments of the United States and Soviet Russia to confer with the group.

Thus, after almost a year and a half of undeclared war in the Far East, the League of Nations has taken the boldest step in its history. It has made an attempt to make effective the peace machinery which was set up at the close of the World War and which has gradually been developing since that time. It has left Japan completely isolated morally from the rest of the world. The vote taken at the Assembly meeting showed forty-two nations lined up against Japan in her Manchurian venture.

The immediate effect of this action was to force the Japanese delegates to the League, led by Yosuke Matsuoka, to withdraw from the Assembly meeting. This does not mean, of course, that Japan has resigned from League membership although the Japanese cabinet in Tokyo is said to be preparing a formal declaration of resignation.

Admittedly, the present situation in the Far East presents the most serious test the peace machinery of the world has had to face since it was set into being. In view of Japan's apparent defiance of world opposition and her determination to continue her military activities in China at least until the province of Jehol is taken from Chinese jurisdiction, the cardinal question now confronting the rest of the world is, what further action may be taken. And in this, the attitude and position of the United States government are of primary importance, for any concerted action which the other nations may decide to take against Japan would largely be nullified by America's failure to participate.

LOGICALLY, the next step for the League of Nations to take would be to apply the so-called sanctions under Article XVI of the League Covenant. If such action were taken, members of the League would pledge themselves not to carry on commerce with Japan and to prevent their citizens from trading with the Japanese. But if this economic boycott were to prove effective, it would have to be supported by the United States because of the large volume of Japanese trade which is carried on with this country.

Just how far the United States would go in supporting the League in the Far East is at present uncertain. In replying to the League invitation to cooperate, Secretary Stimson declared that this government was generally in harmony with the report adopted at the Assembly meeting (the contents of which we reported last week) but that we would reserve independence of judgment as to future action.

While this answer has failed to satisfy the large number of Americans who feel that the United States should go all the way in backing up the League and should declare that it would support any measure the League decided to invoke against Japan, it is generally conceded to be the limit to which our government could commit itself. The president, under the Constitution, is held down in his handling of foreign affairs and, in order to pledge wholehearted support to the League, would have to obtain the consent of Congress.



"WILL THEY NEVER LEARN?"

—Kirby in N. Y. WORLD-TELEGRAM

Thus, it would have been difficult for Mr. Stimson, or any other secretary of state, to make an unqualified statement of support.

On the other hand, it is pointed out that the present American attitude, however much it may commend the League for its action, is crippling the rest of the world in trying to settle the dispute. According to this belief, the passing of moral judgment alone, such as the United States has done since the beginning of the Sino-Japanese conflict, is insufficient to arrest the Japanese in their military exploits. The American government should, it is felt, adopt a policy of hands off, or one of wholehearted cooperation with the rest of the world through the League. The middle ground—the policy of condemning without enforcing—according to many people, leads only to friction between Japan and the United States, and nullifies all attempts at international cooperation.

FOLLOWING the adoption of the League report, two developments of unusual importance have occurred in the Far Eastern situation. The Chinese, on February 25, ordered their minister at Tokyo to return home, thus severing diplomatic relations with Japan. A few days later, the British government announced an embargo on the shipment of arms and munitions to either of the belligerents. Only unfilled orders were permitted to be taken care of. The French government followed this action by declaring that it, too, would place an embargo on arms shipments to the Far East provided the other nations would do likewise.

In the matter of the arms embargo, it does not appear likely that the American government will cooperate. Senator Borah, chairman of the Senate Committee of Foreign Relations, as well as a number of other prominent members of Congress, has announced opposition to a resolution now pending which would authorize the president to declare such an embargo. In their opinion, the curtailment of munitions shipments to both countries would work to the disadvantage of China because she is less able to supply her own implements of war.

CONGRESS was attempting to rush action in passing a bankruptcy bill before the lame duck session came to an end. By February 27 both houses had passed bills, but the measures differed considerably in their provisions, and it was necessary to appoint a joint committee to seek a compromise. The Senate bill would allow individuals, farmers and railroads to make a voluntary readjustment of their debts without having recourse to formal bankruptcy. The House bill made the same provision for individuals, railroads and corporations.

Both Mr. Hoover and President Roosevelt have been in favor of such emergency legislation because they have realized that wholesale bankruptcies, which have for some time been impending, would have a bad effect upon the country.—A. DE P.



London Daily Express

A BRITISH VIEW OF AMERICA

"The New Missionary" comes to America to discuss war debts.

WITH AUTHORS AND EDITORS

We read old books for their excellence, but new ones to share in the mental life of our time.—SATURDAY REVIEW OF LITERATURE.

WHAT IS WRONG?

A GUIDE THROUGH WORLD CHAOS. By G. D. H. Cole. New York: Alfred A. Knopf. \$3.75.

Here is one of the best reasoned and most comprehensive books which have appeared on the depression. The author is an English economist, a teacher of economics in Oxford University, and a member of the British cabinet's economic advisory council. He has written a number of books dealing with economic problems. In "A Guide Through World Chaos," he explains the facts of modern economic society, traces the origins of our industrial practices, examines the causes of the present depression and inquires at length as to the nature of its various manifestations. Finally, Mr. Cole considers possible ways out. He raises the question as to whether the necessary economic planning can be introduced in a capitalist society. In other words, can production and consumption be kept in balance under a régime of private ownership so that depressions may be avoided? Or, must we turn to some form of socialism? Since Mr. Cole is a socialist, it is not surprising that he has little hope for a sufficiently drastic reform under capitalism. He looks for the European nations to swing toward socialism soon, but does not think that the United States is so likely to experiment in that direction.

Money, trade, war debts, gold standard, overproduction and underconsumption, technological unemployment—all these and many other phases of the depression are discussed clearly and competently. The author does not merely skim the surface. He analyzes the problems of our economic life thoughtfully and yet his ma-

terial is so well organized and so clearly treated that the book is not hard to read. It should appeal to serious-minded high school students as well as to more mature readers.

GOVERNMENTAL FACTS

AN OUTLINE OF AMERICAN GOVERNMENT. By Wallace S. Sayre. New York: Barnes and Noble. \$0.75.

In a hundred pages the author, who is an instructor in government in New York University, has set forth in outline form the more important facts relating to American government. There are chapters on the different departments of the federal government, on citizenship, party system, the state and local governmental organizations. The pamphlet is designed for use in college classes and there are references to the more detailed studies contained in the important college texts. This brief outline should be useful to students of either college or high school grade, for it will serve as an excellent reminder of the important facts about our local, state and national governments.

FRENCH REVOLUTION

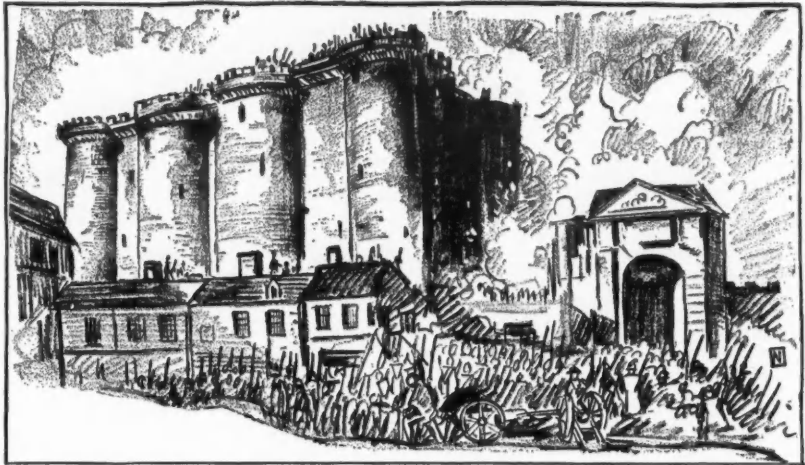
THE FRENCH REVOLUTION AND NAPOLEON. By Leo Gershoy. New York: F. S. Crofts. \$5.00.

Here in one volume is the story of the two phases of a great historical period. It is one of the most complete and satisfactory accounts of the Revolution and the Napoleonic era which have appeared in a single volume. All the important facts are included and they are interestingly presented. The book is not a brilliant analysis or interpretation. It does not assume to be that. It is factual, and it preserves a fair balance between social and economic conditions, on the one hand, and political developments on the other.

A DICTATOR?

Do we need a dictator? "Emphatically not!" the *Nation* replies editorially in its March 1 issue. The *Nation* takes issue with the suggestion frequently being made in these times that the country should be placed under the guidance of a single strong man or at least of several strong men in order that progressive action might be taken to lift us out of this depression. Congress is being widely condemned as a bungling and slow-moving institution totally incapable of coping with the present crisis.

But the *Nation* insists that the situation does not call for a dictator, a step which would oblige us to set aside our Constitution and abandon the democratic principle of government.



THE FALL OF THE BASTILLE—MEMORABLE INCIDENT OF THE FRENCH REVOLUTION.

(From a page in "Great Moments of History" by Samuel Nisenson and Alfred Parker, Grosset and Dunlap.)

We need nothing more than strong leadership in the White House. If President Roosevelt has enough "wisdom and power," says the *Nation*, he will not require dictatorial authority to put his program into effect. Congress will do his bidding just as it did that of Woodrow Wilson and Grover Cleveland, other Democratic presidents who proved themselves able to enact constructive legislation despite congressional opposition. The *Nation* is not certain that President Roosevelt possesses such a virile capacity for effective leadership, but if he does not, it contends, it would do little good to clothe him with dictatorial powers since a gesture of this kind would add neither to his wisdom nor to his ability.

MUNRO AND TAXES

"Taxation nears a crisis" is the title of an article by William Munro appearing in the March issue of *Current History*. Dr. Munro, former president of the American Political Association, and now professor of history and government at the California Institute of Technology, believes that our present haphazard, unplanned tax system cannot endure much longer. It is his opinion that the nation and the states should have separate fields of taxing power so as to avoid double taxation such as is now being inflicted upon great numbers of citizens. He also thinks that tax-exempt bonds—federal, state or local—should be prohibited in the future, because wealthy people, who are most able to give financial support to their government, purchase these bonds to avoid paying taxes. Moreover, he contends, the planning of a sound revenue system is too difficult a task for politicians and therefore each state and the national government should appoint bodies of experts to devote their entire time to this problem. These bodies should then make recommendations for necessary legislation.

ECONOMIC PLANNING

George Soule, who was recently appointed by President Nicholas Murray Butler of Columbia University to serve on a committee of seventeen economic experts which will investigate the economic crisis and make recommendations for constructive action, has contributed an article to the current number of *Forum*. In this article, Mr. Soule clearly and concisely explains the various remedies that are being proposed to bring back prosperity. Some of them are: (1) greater expansion of banking credit, (2) huge program of public works to provide employment, (3) voluntary domestic allotment plan to reduce acreage and raise prices on certain basic agricultural products, (4) shorter workweek with no lowering of wages, and (5) the enactment of legislation providing for the decrease of interest and principal charges on bonds, farm mortgages and city real estate mortgages. Of all these proposals, Mr. Soule is inclined to believe that the fifth one will produce the best results in starting us on the upward path. But it is his opinion that "our society needs a thoroughgoing reorganiza-

tion"; that we should profit by our present sad predicament by creating an economic council to plan in advance, thereby making less possible another such disastrous breakdown in our economic order.

TRANSFORMATION

FORGIVE US OUR TRESPASSES. By Lloyd C. Douglas. Boston: Houghton Mifflin Company. \$2.50.

Not very often does one run across a "preachy" sort of story without feeling resentment at the author's sermonizing. In Mr. Douglas' new novel, however, the moral is couched in a plot so interesting, characters so vital and human, and situations so real that the reader unconsciously forgets the lesson until the end, then realizing that the book has accomplished its purpose. In reality, Mr. Douglas, himself a clergyman well known in this country and Canada, in his novel is preaching a sermon against cynicism. He is attempting to show the futility and emptiness of a philosophy of negation, scoffing, hatred and destructive criticism. In the author's own words, this is "a story of the purgation of a young cynic."

Mr. Douglas takes the life of Dinny to dramatize his message to the world. Bereft of his mother at birth, young Dinny is reared by an aunt and uncle in an atmosphere of smugness and self-righteousness. His early life is dominated by one single emotion, hatred. Dinny hates his father whom he has never known; he loathes the mealy-mouthed hypocrisy of his uncle, an ecclesiastic who completely disregards the precepts of Christianity; he despises rancorously his associates at the small denominational college of the Middle West. As the writer of a newspaper column in New York, Dinny finds his golden opportunity for revenge against the world, and day after day pours the bitterness of his soul into his writing. Even his love for the idealistic Joan is not great enough to subdue his cynicism. But the long-awaited-for transformation in his outlook finally comes with the discovery of a letter written many years before by his mother to her then unborn child. The mother's life, too, had been motivated by hatred, and not until the eve of her death did she discover the power to forget and love.

The last part of the book is devoted to the "purgation" process. Fortunately, Mr. Douglas does not commit the error of having his hero become the conventional "reformed" soul. Rather, Dinny develops into a healthier and saner human being and not the nauseating type of character which the author might have created had he less depth and understanding. The note of balance struck by Mr. Douglas is refreshing after the strong doses of cynicism which have been administered in so much of the literature of recent years.

PRONUNCIATIONS: Buenos Aires (bway' nos i' res—i as in time, e as in met), Santiago (sahn-tee-ah' go—o as in go), Managua (mah-nah' gwa—a as in art), Barranquilla (bar-an-keel' ya—a as in art), Bogota (bo-go-ta'—o as in go, a as in art), Guayaquil (gwi-a-keel'—i as in time, a as in art), Aconcagua (ah-kon-kah' gwa—a as in art).

The Organization of the Executive Department



FROM A CHART IN "AN OUTLINE OF AMERICAN GOVERNMENT."

This manual is particularly interesting at the present time since President Roosevelt has been authorized to reorganize the government departments.



THIS week, we turn our attention to the railroad problem, a question that has loomed large in the history of the last hundred years and one which has returned

Divisions of Railroad Problem

time and again to harass our politicians. Chronologically, the problem may be divided roughly into three distinct periods. First, there was the period of great expansion which began in the sixties, grew by leaps and bounds for more than twenty years, reaching its zenith in the late eighties. The second period started in 1887 with the creation of the Interstate Commerce Commission. This era was characterized by attempts at government control and regulation designed to curb many of the abuses which had sprung up during the years of complete economic freedom. The third period began in 1920 with the return of the roads to private management after government operation during the war. A consideration of these three phases of the problem is essential to an understanding of the present plight of the industry.

The rapid expansion of railroads into the desert regions of the West and into the relatively isolated South has in no small way been directly linked to various governmental policies. Prior to the Civil War, the national government took little interest in the development of a transportation system. In fact, the first grant of public land for railroad construction was not made until 1850. At the time of the war, there were only 30,000 miles of track in the country. But during the next ten years, the government became acutely interested in further expansion and Congress chartered a large number of companies, facilitating their penetration into new regions by parceling out large tracts of the public domain and by lending money with which to build steel highways across the continent.

By the beginning of the present century, the railroads had expanded to such an extent that the United States possessed more mileage than all Europe combined and 40 per cent of the world's total. This development would have doubtless been impossible but for governmental aid. In the two decades of 1860 and 1870 alone, Congress handed out 158,293,000 acres of public land to the railroads—an area almost as large as New England, New York and Pennsylvania. Towns and hamlets in remote sections of the West, as well as the state governments, fostered the building of railroads by advancing the necessary funds. There was a virtual orgy of spending in all sections of the country. By 1869, the Pacific coast was placed in direct communication with the industrial centers of the East by the joining of the Central Pacific and the Union Pacific lines at Promontory Point, Utah.

It is indisputable that this railroad expansion contributed greatly to the economic and social development of the United States. It was responsible for the industrial growth of such middle

Historical Development of Railroad Problem

By David S. Muzzey and Walter E. Myer

states as Ohio, Indiana, Michigan and Illinois. The Gulf ports of New Orleans and Galveston became thriving commercial centers as a result of railroad penetration into the South. No doubt, the wounds inflicted by the Civil War would have taken longer to heal had not the railroads bridged many of the sectional difficulties existing between the North and the South.

But if this first period brought beneficent contributions to the American people, it was also attended by flagrant abuses. It gave rise to unscrupulous practices on the part of financiers the like of which the country had never known. The first great American fortunes were made in the railroad industry, many of them by shady devices and a disregard for ethical standards. Wild speculation in railroad stocks became the order of the day. The dawn of railroad expansion probably did more to accelerate cut-throat competition than any single economic development of the last century.

With the formation of an intricate network of lines, many of them penetrating the same regions and running parallel to each other, there came attempts on the part of the financially powerful to snuff out the weaker lines. Many of the large companies, by controlling other industries, such as coal mines, were able to charge lower rates and thus push the smaller lines to the wall. The large companies engaged in open discrimination against small shippers, charging them higher rates than they did the large companies. The extent to which the railroads carried their exploitation has been described very strikingly by Hacker and Kendrick in their "The United States Since 1865" in which they declare:

By the seventies the American public had learned the lengths of which railroad financing was capable. Not only had states and municipalities been loaded with burdens of debt incurred in ill-starred railroad enterprises, but

the number of duped individuals reached a mighty host. The credulous western farmer, anxious for a market for his produce, had been a ready victim. He had bought shares in the projected railroads, paying for his hopes in land, labor, and even farm mortgages. Sometimes the railroads were never built; more frequently, when they were actually laid down and in operation, the investors saw their legitimate profits being diverted into the pockets of the promoters.

It was these abuses, particularly rate discrimination against small shippers and the exploitation of investors, which led to vehement cries for government regulation. A flood of bills calling for the creation of a regulatory body were introduced in Congress but it was not until 1887 that legislation was finally enacted. That year, however, the Interstate Commerce Commission was brought into being, an act which ended the *laissez-faire* philosophy of economic freedom that had dominated the government's policy toward the railroad industry from the time of its inception. The act was designed to end the abuses which had become so rampant. Its main provisions were as follows: railroad charges should be "just and reasonable"; rate discrimination should cease immediately; special rates and rebates to companies were declared illegal; before changing rates, the roads were to petition the commission.

Growth of Government Regulation

During the first twenty years of its existence, the Interstate Commerce Commission did little to curb the evils. In fact, it was so impotent at effective regulation that few shippers even bothered to protest against railroad practices. With the inauguration of Theodore Roosevelt, however, and his determination to wield the "big stick" over business concerns guilty of unethical practices, the commission began to take on new life. The original act was modified and the commission began finally to enforce its provisions.

But the most drastic step in government regulation of the railroads came in 1920 with the enactment of the National Transportation act. By this measure, the powers of the Interstate Commerce Commission were greatly increased, particularly in the matter of rate-fixing. In addition, Congress realized that many of the difficulties of the roads were of a more or less permanent nature, requiring a general overhauling.

During the period of government regulation, which began forty-five years ago, the railroad companies have spent more than half the time opposing such a policy. For about thirty years, they balked at all attempts at enforcement of the federal laws. But with the rapid surge of economic changes, they made a sudden about-face movement and clamored for more help from the government. Railroad companies, seeing their traffic diverted into other channels, such as the pipe-line, the motor bus, the automobile and truck, the airplane, the internal waterways and the Panama Canal, demanded that the federal government control these competitors.

From the foregoing, it can be seen that the present plight of the railroads is not solely the result of the depression of the last three years. While the crisis has had its share in bringing the difficulties to a dramatic climax because of the falling off in railroad traffic that it has incurred, the roots of the problem lie much deeper. Long before the crash, students of railway economics were aware of the need for reorganization and sweeping changes in our transportation policies if the roads were to be put on a sound footing. The creation of the Reconstruction Finance Corporation was an attempt to stave off financial disaster by injecting large quantities of government credit into the languishing roads. But it was admittedly only a stop-gap measure. Perhaps the most important study on the railroad problem is the one recently completed by the Coolidge-Smith committee, appointed last October at the instigation of banks and insurance companies which have invested heavily in railroad securities. In addition to a number of proposals designed to meet the present emergency, the committee recommends the following steps looking to permanent adjustment:

New Problems Confront Roads

(1) Regional consolidations should be hastened and, where necessary, enforced, looking eventually to a single national system with regional divisions and the elimination of all excess and obsolete lines and equipment.

(2) Unprofitable railroad services should be replaced by cheaper alternative transport methods.

(3) Railroads should be permitted to own and operate competing services, including water lines.

(4) Government assumption of all or part of the costs of inefficient competing transport . . . is no longer warranted and should be abandoned.

(5) Automotive transportation should be put under such regulation as is necessary for public protection.

(6) The method of determining rates should be changed so as to make operating costs, rather than the amount of investment, the basis of calculation.



THE FIRST TRANSCONTINENTAL RAILWAY

The famous Ceremony of the Golden Spike at Promontory, Utah, May 10, 1869 when, for the first time in history, the East and West were linked by a continuous railway system.

© Ewing Galloway

American Continents Linked by Giant Airway System

Distant and Remote Sectors of Latin America now Readily Accessible

"North Americans," as citizens of the United States are known south of the Caribbean, are just beginning to realize that four short years of airplane traffic have done more to unite the two Americas than a century of the Monroe Doctrine.

Since Colonel Lindbergh made the first direct flight from Miami to Cristobal in the Panama Canal Zone, February 4, 1929, the trade and banking relations between the two continents of the western hemisphere have been revolutionized by the new speed of communication. The great capitals of the far south, Santiago and Buenos Aires, have been magically brought within a week of Washington, and invoices and shipping papers for cargoes from South America can be in New York weeks before the ships that bring the goods. For banking, especially, this is a tremendous advantage as it means that checks, money orders, and even gold can be transferred without heavy losses of interest. The whole machinery of inter-American trade relationships have been speeded up, so that Latin American business can now turn toward the northern continent as its natural outlet, rather than toward Europe, as in the past.

Passenger flying between the Americas has already become a commonplace, and since the first Pan-American Airways flight from Key West, Florida, to Havana in 1927, the amazing number of 170,000 passengers have been carried over a total of 50,000,000 miles on the great new intercontinental airway system. While crossing the Atlantic, even the narrower South Atlantic, by air is still regarded as high adventure, regular passengers on the airways to and from South America fly unconcernedly for a whole day of their way across open sea and out of sight of land, between the island of Jamaica and Barranquilla, Colombia, the first port on the South American coast. This flying above the open sea has been made safe by radio.

Daily planes now come and go across the southernmost tip of Florida, and twice a week they set out to swing round their 13,000-mile circuit of the southern continent.

The journey from Miami to Managua, Nicaragua, that used to take at least two weeks, can now be made in three days. In eight hours one may go now by plane from Barranquilla, on the Colombian coast, to Bogota, one of the highest cities in the world, nestling among its almost inaccessible mountains. Before the planes came, the trip from the coast to the capital of Colombia could only be made by river boat up the Magdalena river, and took a week even in the best of circumstances.

It is this geographical handicap of vast mountains and impenetrable jungles that has done more than anything else to prevent much travel in South America by North American visitors. Mountains, deserts and forests have set up up impassable barriers over which railroads could not be built, and travel by horse-back, mule-back, oxcart or small boat was incredibly slow and difficult. Often a whole independent camping outfit was necessary to visit the mountains of Colombia or Bolivia or the forests of Brazil in the days when President Theodore Roosevelt explored his River of Doubt.

Now, however, everything is changed and planes fly easily above mountains that railroads never scaled and above jungles that men have scarcely dared to enter. In three days, one can fly the whole length of the rugged western coast, from Guayaquil in Ecuador to Santiago, the capital of Chile, spending the nights comfortably in towns along the way. In a bare hour and



—Courtesy Pan American Airways
FLYING OVER THE SIMMERING VOLCANO, MOMOTOMBO, IN NICARAGUA

twenty minutes, from Santiago to Mendoza, one can soar to a height of 18,000 feet, above the vast panorama of the Andes, that divide the continent, and cross the great Upsallata Pass, where the famous statue of the Christ of the Andes stands guard as a symbol of peace between nations. Mount Aconcagua, the highest mountain of the western hemisphere, and many other towering peaks, surround this pass, and the construction of the railroad across it was one of the great engineering feats of the century. Yet from the railroad tunnels the spectacular beauty of the mountains is not visible, and trains go but once a week, taking two days and a night for the crossing from Santiago to Buenos Aires, only an eight-hour trip by air.

Airplanes today have brought the Andes themselves close to North America, and with every transcontinental flight they are weaving bonds of real union among twenty-one countries of the western world.

The two-cent stamp is almost certain to come back. The Post Office Department has lost rather than gained money by charging three cents to mail a letter. It is estimated that five billion fewer letters will be mailed this year than last if the present rate continues and that as a result the Post Office Department will lose \$100,000,000. This presents a rather serious situation and it is believed that Congress will act to restore the two-cent stamp by July 1.

THE MONTHLY TEST

Covering issues of February 8, 15, 22, and March 1

Below you will find the names of ten persons who have been mentioned in *The American Observer* during the past four weeks. In the second column is a list of descriptions, ten of which fit one or another of the names. The problem is to fit the appropriate description to each name. For instance, if Chamberlain is the leader of the German Nationalist party, your answer to the first question would be (O).

- | | |
|----------------|--|
| 1. Norris | (O) leader of the Nationalist party in Germany. |
| 2. Chamberlain | (X) American delegate to the disarmament conference. |
| 3. Hugenberg | (M) Russian commissar for foreign affairs. |
| 4. Daladier | (K) senator who has sponsored bills for the government operation of Muscle Shoals. |
| 5. Lindsay | (L) author of unemployment relief bill. |
| 6. Hull | (Y) Belgian foreign minister presiding over the League Assembly. |
| 7. Glass | (H) Tennessee senator named secretary of state. |
| 8. Litvinov | (F) British chancellor of the exchequer. |
| 9. Saionji | (T) successor to Paul-Boncour as French premier. |
| 10. Wagner | (Z) president of Cuba. |
| | (Q) leader of the technocracy group. |
| | (R) British ambassador to the United States. |
| | (J) Virginia senator, author of a banking bill. |
| | (I) the only surviving Elder Statesman in Japan. |

For the following group of ten questions read the descriptions in column 1. Then select the proper name for each description from the list in column 2. For instance, if Tokyo is the name of the strip of territory taken from Germany at the close of the World War, the answer to question 11 would be (1).

- | | |
|---|-------------------------|
| 11. A strip of territory taken from Germany at the close of the World War. | 1. Tokyo |
| 12. A small, backward country north of India where modernization has just begun. | 2. Mississippi basin |
| 13. A member of the Little Entente. | 3. Czechoslovakia |
| 14. The seat of the League of Nations. | 4. Gran Chaco |
| 15. An island in which revolution has been brewing for some weeks. | 5. Hedjaz |
| 16. A Central American country from which the United States marines have recently been withdrawn. | 6. Tennessee basin |
| 17. A country in which Fascism and Communism are strong rivals. | 7. Hungary |
| 18. The capital of Japan. | 8. Bogota |
| | 9. Polish Corridor |
| | 10. East Prussia |
| | 11. Afghanistan |
| | 12. Bengal |
| | 13. Paris |
| | 14. Lausanne |
| | 15. Leticia |
| | 16. Cuba |
| | 17. Hawaii |
| | 18. Geneva |
| | 19. St. Lawrence valley |
| | 20. Poland |

19. A town on the Amazon over which two members of the League of Nations are fighting.

20. A section where President Roosevelt plans to begin a vast reclamation experiment.

In the case of each of the following ten questions, make up your mind which phrase, if used to complete the sentence, would make it a true statement of fact; then write on your answer sheet the number preceding that phrase. For instance, in question 21, if the true statement is: "In matters of foreign policy, Hitler favors the payment of reparations," the answer to the question would be (1).

21. In matters of foreign policy, Hitler favors (1) payment of reparations (2) conciliatory action toward France (3) revision of the boundaries fixed at the end of the World War (4) joining the Little Entente.

22. Currency inflation is advocated on the ground that it would benefit (1) debtors (2) government credit (3) creditors (4) the Federal Reserve system.

23. An outstanding feature of the French disarmament proposals has been the provision for (1) a treaty of non-aggression to be signed by Germany and her former allies (2) a general one-third reduction of armaments (3) equality in armaments (4) an international armed force under the control of the League of Nations.

24. Those who oppose government operation of power projects argue that it would (1) throw more men out of work (2) be less efficient than private operation (3) make electricity rates higher (4) benefit big business.

25. The relief bill passed by the Senate on February 20 provides (1) a fund to be distributed as gifts to the states (2) an increase in the money available as loans to the states (3) authorization for a vast public works program to relieve unemployment (4) relief for the farmers through the domestic allotment plan.

26. The Stimson Doctrine is a statement of the American policy of (1) neutrality with respect to two disputing nations (2) refusal to trade with warring countries (3) maintenance of the "Open Door" in the Far East (4) nonrecognition of territorial changes made in violation of treaties.

27. Italy is seeking closer cooperation with (1) France (2) Poland (3) Germany (4) Great Britain.

28. The United States has indicated a willingness to consider debt revision in exchange for (1) a return by foreign governments to the gold standard (2) recognition of our interests in the Far East (3) England's return to a free trade policy (4) cancellation of German reparation payments.

29. Acting under Article XV of the Covenant a dispute has been referred to the League of Nations by (1) Hungary (2) Russia (3) Colombia (4) Bolivia.

30. One of the problems discussed at the governors' conference following President Roosevelt's inauguration is the conflict between state and federal (1) prohibition enforcement laws (2) labor laws (3) control of transportation (4) tax systems.

New Alignments Dividing Europe into Rival Camps

(Concluded from page 1)

arated France and Germany since the armistice has been widened by these developments.

Present Alignment

In order fully to appreciate the possible consequences of these events to which we have referred, it is necessary briefly to survey the European situation as it has existed during the last few years. Ever since the peace treaties were signed after the war, the policies of the nations of Europe have been dominated by two fundamental principles, each directly opposed to the other. One group of nations, the victors in the conflict, have striven persistently to prevent any changes in the territorial adjustments made by the treaties. The other group, the vanquished nations, has been equally diligent in its attempts to revise the treaties and change the boundaries established at that time.

Quite naturally, France has been the leader of the *status quo*, or "stand-pat" group. In order to solidify her position, the French government entered into agreements and formed alliances with the other nations which held the same desire. Consequently, France made allies of Poland, Belgium and the members of the Little Entente. Italy, although her ally in the war, did not join into such an agreement because the Italian government was not satisfied with the post-war settlement. It felt that Italy had not received her just share of the spoils of victory. Particularly provoked were the Italians with the settlement of the Yugoslav frontiers for they wanted to be given territory along the Dalmatian coast which went to Yugoslavia.

For fourteen years, the *status quo* group of nations has held the upper hand in all European affairs. It has succeeded in preventing territorial changes. But during all those years, the second group of nations has been attempting to strengthen its position by international agreement and by the formation of alliances. Two years ago, Germany and Austria announced that they would form a customs union. Opposition of the *status quo* powers, however, forced them to abandon the project. At most conferences, the revisionist nations have stood together but generally they have been defeated by the other group.

Results of Lausanne

The first major victory of the revisionist countries was the Lausanne conference

of last summer by which reparations payments were virtually abolished. This action dealt a severe blow to the nations which had insisted that the Versailles Treaty must remain intact. The Lausanne agreements removed the first stone in the foundations of the post-war structure and was the first revision of the settlement. It instilled new hope in the hearts of the revisionist powers, firing them with enthusiasm for other changes. Immediately thereafter, Germany insisted that another section of the Versailles arrangement be revised, namely, that which imposed limitations upon her armaments. It may be said, therefore, that the Lausanne conference of last summer was the turning point in the alignment of powers in Europe for it broke into the front which had been maintained by France and her allies for more than thirteen years.

Obviously, the Lausanne reparations agreement served as a warning to the *status quo* group. The nations which had made territorial gains through the Paris settlement, feeling their position weakened by the first breaking down of the Versailles Treaty, mustered themselves against further changes. Almost immediately the members of the Little Entente began negotiations for the strengthening of their lines. The foreign ministers of the three countries met and drafted plans for closer cooperation, economically and politically. Their project was completed and made public last month.

The antagonism between the nations which have become members of the Little Entente and Italy has been intensified by the arms shipment episode. The *status quo* nations all regard this action as another attempt against their security. They feel that Italy is attempting definitely to draw Austria and Hungary into its orbit. As can be seen by the map on this page, control of Austria is essential from a strategic point of view for Italy and her allies if they ever hope, by force of arms, to revise Eu-

ropean boundaries. But France is not unmindful of the strategic importance of Austria and has made bids for Austrian support by proffering loans and other inducements to the Austrian government.

Perhaps the most significant of all these recent developments, however, is Hitler's bid for an alliance with the Italian Fascists because, if successfully concluded, such an agreement would definitely strengthen the position of the revisionist group of nations. Mussolini has not yet grasped Hitler's outstretched hand, feeling undoubtedly that it is preferable to bide his time until the position of the German Fascists becomes known after the Reichstag elections. The conclusion of such an Italian-German accord would do much to swing Austria, Hungary and Bulgaria completely into the Italian orbit because they have consistently supported Germany and have stood by her in demanding revisions of the treaties.

Thus, it can be seen that the present trend of events in Europe is pointing to the rapid strengthening of alliances among the two hostile groups of nations. France, Poland, Belgium and the Little Entente, by treaty and alliance, are bending all their energies to protecting the present boundaries. The other group, Germany, Italy, Albania, Austria, Hungary and Bulgaria—according to present indications, are coming more closely together than they have been at any time since the close of the war. The network of agreements binding these sets of nations together presents a situation exactly analogous to that which existed in 1914. The two blocs are practically equal in population and, although the *status quo* group is supposedly superior in military strength because of the disarmament imposed upon the defeated powers, the other nations have great potentialities.

Role of Great Britain

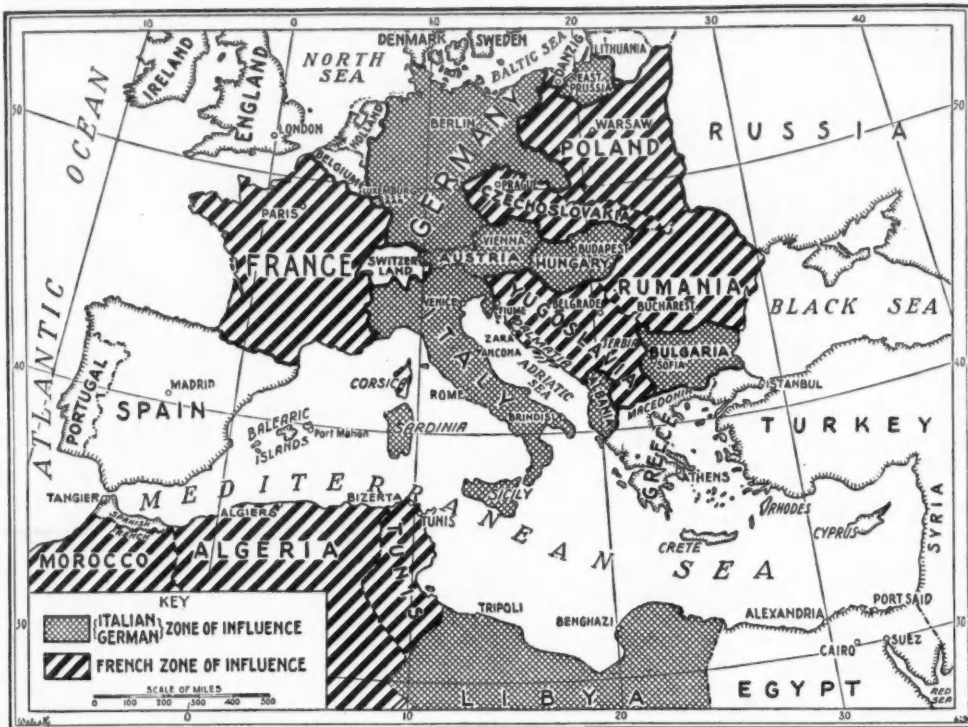
The present alignment of powers in Europe is still further parallel to the pre-war situation in that Great Britain once more holds the balance of power. With the rest of Europe almost equally balanced, the attitude of the British government is of extreme importance. The future course of events may be determined by the side of the scales on which Britain places

her weight. There are at present several indications that she will support, temporarily at least, the nations seeking to maintain the *status quo*. Following the Lausanne conference, she signed an agreement with France whereby the two nations pledged themselves to consult on all questions affecting Europe. In the arms shipment episode, she joined France in protesting against Italy's action. So long as Britain definitely lines herself up with the French group, it does not appear likely that the revisionist nations will seek to obtain territorial changes by force of arms because the odds would be so greatly against them.

U. S. Position

It is interesting to examine the position of the United States in the present confused situation of Europe. If the American government continues to adhere to a policy of isolation as it has done during the last twelve years, European conditions will probably remain unsettled. But it is possible that the new administration will seek more actively to cooperate with the rest of the world. This attitude was expressed by the new secretary of state, Cordell Hull, in his first formal statement. "There should be sane and realistic international cooperation, keeping in mind our traditions and our Constitution, to aid in preserving the peace of the world. This policy is vital," Mr. Hull declared. Moreover, President Roosevelt has announced that he will continue to follow the Stimson Doctrine of nonrecognition of territorial changes brought about in violation of treaties. This would give implied support to the *status quo* nations of Europe, for under the Stimson policy, this government would be committed in advance not to recognize any shifting of national boundaries in Europe by the use of armed force.

It appears, therefore, that the policy of the United States will be to line up with the nations bent on keeping the present state of affairs in Europe. But many of those nations feel that the policy hinges on too unstable foundations and does not offer them sufficient guaranties against revisions by force. For that reason, they would like to see the American government enter into a formal agreement with them pledging our military support in case of attack. In view of the recent events in Europe, many people believe that it is incumbent upon the United States to cooperate, at least for a limited period, with Great Britain in order that the two Anglo-Saxon nations unitedly might prevent the recurrence of a war the consequences of which would be much more devastating than the one into which the world was precipitated in 1914.



—Courtesy New York Times

THE NEW BALANCE OF POWER IN EUROPE



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A DISTURBING ELEMENT IN EUROPEAN POLITICS
The rise of Adolf Hitler to power in Germany has added to the uneasiness and tension characteristic of Europe. This picture was taken a week before Hitler became Chancellor. He was attending memorial services for a martyred Nazi.